

## Message Text

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ACTION EUR-12

INFO OCT-01 AF-08 EA-07 IO-13 ISO-00 AID-05 CEA-01  
CIAE-00 COME-00 EB-08 FRB-03 INR-07 NSAE-00 SP-02  
STR-04 TRSE-00 LAB-04 SIL-01 OMB-01 INT-05 /082 W  
-----230723Z 042807 /15

R 221554Z MAR 77

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 3327

INFO ALL EC CAPS 3312

USMISSION OECD PARIS

USMISSION MTN GENEVA

AMEMBASSY PRETORIA

AMEMBASSY MADRID

AMEMBASSY SEOUL

AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: ETRD, EEC

SUBJECT: DAVIGNON ON STEEL

REF: STATE 62576 (NOTAL)

1. DAVIGNON GAVE ME MARCH 22 THE EC COMMISSION'S "COMMUNIQUE  
ON STEEL TO THE EUROPEAN COUNCIL AT ROME 25-26 MARCH 1977"  
(SEE SEPTTEL NOTAL), REQUESTING THAT ITS CONFIDENTIAL NATURE  
BE PROTECTED.

2. HE SAID PRESSURES FOR COMMUNITY-WIDE IMPORT RESTRICTIONS  
REMAINED GREAT BUT HE WAS DETERMINE TO RESIST. TO SUCCEED  
HE HAD HAD TO FORMULATE A NEW POLICY, THE ESSENCE OF WHICH  
WAS STRUCTURAL REFORM. THE SIMONET POLICY, WHICH HE  
CHARACTERIZED AS CONJUNCTURAL, HAD FAILED. THE SHORT-RUN  
KEY TO HIS POLICY WOULD BE OBLIGATORY MINIMUM PRICES FOR  
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REINFORCING RODS AND MINIMUM REFERENCE PRICES FOR OTHER  
PRODUCTS. THE LONG-RUN KEY WOULD BE DISCIPLINE OVER  
CAPACITY EXPANSION. IN BOTH CASES SUCCESS WOULD DEPEND  
ON THE BEHAVIOR OF THIRD COUNTRIES, PARTICULARLY THE  
US AND JAPAN, AND IT WAS FOR THIS REASON THAT HE WANTED  
TO BE OPEN AND TO CONTINUE EXCHANGING VIEWS.  
HE HOPED THAT WE WOULD BE WILLING AT THE FORMAL US-EC

BILATERAL CONSULTATIONS SCHEDULED FOR APRIL 20-21 TO DISCUSS STEEL AND TO EXCHANGE VIEWS ON HOW BEST TO PROCEED TO DEVELOP INTERNATIONAL CONSIDERATION OF THE WORLD STEEL PROBLEM. I TRIED TO DRAW HIM OUT ON WHAT HE THOUGHT SHOULD COME OUT FROM OUR BILATERAL DISCUSSIONS BUT BEYOND SAYING IT REQUIRED CAREFUL THOUGHT THAT AT SOME POINT THE DISCUSSIONS SHOULD BE MULTILATERALIZED AND THAT A NON-PERMANENT MECHANISM SHOULD BE FOUND FOR ASSOCIATING OUR INDUSTRIES WITH THE TALKS, HE DID NOT INDICATE A PREFERENCE FOR AN AD HOC MECHANISM FOR THE OECD OR FOR THE GATT. (I MENTIONED ANTITRUST PROBLEMS WHICH HE SAID HE WAS FAMILIAR WITH FROM HIS IEA DAYS RE OIL COMPANIES AND HE ADDED THAT HE WAS CONFIDENT THAT WHERE THERE WAS A WILL, THERE WOULD BE A WAY)

3. HE SAID THAT THE COMMISSION MINIMUM PRICE PROPOSALS WOULD APPLY NEITHER TO IMPORTS NOR TO EXPORTS. HE AGREED THERE WOULD BE A DANGER OF EC FIRMS DUMPING BUT SAID HE WOULD EXPECT THE COMMUNITY'S TRADING PARTNERS TO TAKE ANTIDUMPING MEASURES WERE THE PROBLEM TO BECOME SERIOUS. SIMILARLY, WHERE THERE DUMPING INTO THE EC HE WOULD MOVE VIGOROUSLY. HE OBSERVED THAT BRITISH PRACTICE AND POLICY REGARDING ANTIDUMPING WAS MORE EFFECTIVE THAN COMMUNITY POLICY HAD BEEN UP TO NOW.

4. HIS DISCUSSIONS WITH THE SOUTH AFRICANS, THE SPANISH, AND THE SOUTH KOREANS WERE FOCUSED ON PRICE OBLIGATIONS. THE DIFFICULTY WAS THAT THESE COUNTRIES MAINTAINED THAT TO PROTECT THEIR SHARE OF THE MARKET THEY HAD TO CUT PRICES LIMITED OFFICIAL USE

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AND THAT ONLY IF THEY WERE GUARANTEED A QUANTITATIVE VOLUME OF IMPORTS WERE THEY PREPARED TO UNDERTAKE MINIMUM PRICE COMMITMENTS. HE THOUGHT THAT IN DISCUSSION WITH COMMUNITY INDUSTRIES, SINCE THE AMOUNTS INVOLVED WERE SMALL, A FORMULA COULD BE WORKED OUT BUT HE DID NOT ANTICIPATE THIS HAPPENING BEFORE MAY.

5. IMPORTS OF REINFORCED RODS CONSTITUTED ABOUT 2 1/2 PERCENT OF THE EC MARKET. THE PRICE PROBLEM DID NOT COME FROM IMPORTS BUT FROM THE SMALL ITALIAN PRODUCERS WHO HAD NOT RESPECTED SIMONET'S GUIDELINES. WITH OBLIGATORY MINIMUM PRICES AND THE COMMISSION'S POWER TO TAKE ENFORCEMENT ACTIONS AGAINST BOTH PRODUCERS AND SELLERS HE WAS CONFIDENT THAT THE ITALIAN PRODUCERS WOULD BE DISCIPLINED.

6. HE HOPED THE EUROPEAN COUNCIL WOULD ADOPT THE PROPOSED RESOLUTION BUT HE COULD NOT BE CERTAIN AT THIS TIME. IT WAS DESIGNED TO MAKE CLEAR TO THE

COMMUNITY THAT A SERIOUS NEW POLICY WAS BEING INITIATED AND  
WOULD BE FOLLOWED THROUGH. HE HAD DELIVERATELY CHOSEN  
TO BUILD THIS POLITICAL FRAMEWORK RATHER THAN ARGUING  
THAT THE INDIVIDUAL ACTIONS OF THE COMMISSION WERE MINOR IN AND  
BY THEMSELVES. HE WAS SAYING TO THE COUNCIL, "WE HAVE A  
SERIOUS PROBLEM AND WE NEED A NEW STRUCTURAL POLICY  
ENDORSED AT THE TOP TO DEAL WITH IT".HINTON

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** POLICIES, REGIONAL ORGANIZATIONS, TRADE CONTROLS, STEELS  
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**Copy:** SINGLE  
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**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977ECBRU02755  
**Document Source:** CORE  
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**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
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**Litigation History:**  
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**Message ID:** 39f534b4-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION EUR  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
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**Previous Handling Restrictions:** n/a  
**Reference:** 77 STATE 62576  
**Retention:** 0  
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**Review Withdrawn Fields:** n/a  
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**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** DAVIGNON ON STEEL  
**TAGS:** ETRD, US, EEC  
**To:** STATE  
**Type:** TE  
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**Review Markings:**  
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